

**Introduced by Senator Morrow  
(Principal coauthor: Senator McClintock)**

February 8, 2006

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Senate Constitutional Amendment No. 23—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Sections 1, 2, 3, 6, 7, and 8 of, repealing Sections 9, 10, 12, and 13 of, and by repealing and adding Section 10.5 of, Article XIII B thereof, and by amending Section 8 of, and repealing Section 8.5 of, Article XVI thereof, relating to appropriations limitations.

LEGISLATIVE COUNSEL'S DIGEST

SCA 23, as introduced, Morrow. Appropriations limit.

Existing provisions of the California Constitution prohibit the annual appropriations subject to limitation, as defined, of an entity of government from exceeding its annual appropriations limit; provide for annual adjustments in that limit based on changes in the cost of living and population, calculated in a specified manner; and require 50% of the excess revenues received by the state in a fiscal year and the fiscal year immediately following it to be transferred and allocated, from a fund established for that purpose, to the State School Fund, and the remaining 50% of those excess revenues to be returned by the state by a revision of tax rates or fee schedules within the next 2 subsequent fiscal years. An existing provision of the California Constitution provides, for purposes of adjusting the appropriations limit for any fiscal year that, in the event an emergency is declared by the Governor, an appropriation approved by a two-thirds vote of the legislative body of an affected entity of government to an emergency account for expenditures related to that emergency is not an appropriations subject to limitation.

This measure would provide that the total annual appropriations subject to limitation of an entity of government may not exceed its appropriations limit for the prior fiscal year, adjusted for the change in the cost of living and the change in population. All excess funds collected by the state above these limits would be required by this measure to be held in a rebate account. Within 30 days of the close of the end of the fiscal year, all funds in the rebate account would be required by this measure to be rebated to the taxpayers on a pro rata basis to those who paid taxes on, or measured by, income for taxable years beginning during the prior calendar year. The measure would also provide that for purposes of adjusting the appropriation limit for any fiscal year, in the event an emergency is declared by the Governor, an appropriation approved by a  $\frac{4}{5}$  vote, rather than a  $\frac{2}{3}$  vote, of the legislative body of an affected entity of government to an emergency account for related expenditures is not on an appropriation subject to limitation. This measure would delete provisions that exclude various items from the definition of “appropriations subject to limitation” and would revise other definitions, as specified. This measure would specify that the appropriations limit shall be the appropriations limit for the 2006–07 fiscal year for fiscal years beginning on and after the effective date of this measure.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

1     *Resolved by the Senate, the Assembly concurring,* That the  
2     Legislature of the State of California at its 2005-06 Regular  
3     Session commencing on the sixth day of December 2004,  
4     two-thirds of the membership of each house concurring, hereby  
5     proposes to the people of the State of California, that the  
6     Constitution of the State be amended as follows:

7     First—That Section 1 of Article XIII B thereof is amended to  
8     read:

9     SEC. 1. The total annual appropriations subject to limitation  
10    of the State and of each local government shall not exceed the  
11    appropriations limit of the entity of government for the prior  
12    *fiscal* year adjusted for the change in the cost of living and the  
13    change in population, except as otherwise provided in this article.

14    Second—That Section 2 of Article XIII B thereof is amended  
15    to read:

1 SEC. 2. (a) ~~(1) Fifty percent of all revenues received by the~~  
2 ~~State in a fiscal year and in the fiscal year immediately following~~  
3 ~~it in excess of the amount which may be appropriated by the~~  
4 ~~State in compliance with this article during that fiscal year and~~  
5 ~~the fiscal year immediately following it shall be transferred and~~  
6 ~~allocated, from a fund established for that purpose, pursuant to~~  
7 ~~Section 8.5 of Article XVI.~~

8 ~~(2) Fifty percent of all~~ *All revenues received by the State in a*  
9 ~~fiscal year and in the fiscal year immediately following it in~~  
10 ~~excess of the amount which that may be appropriated by the~~  
11 ~~State in compliance with this article during that fiscal year and~~  
12 ~~the fiscal year immediately following it shall be returned by a~~  
13 ~~revision of tax rates or fee schedules within the next two~~  
14 ~~subsequent fiscal years held in a rebate account to be used for~~  
15 ~~purposes of this article.~~

16 *(b) At the end of each fiscal year all funds in the rebate*  
17 *account established pursuant to subdivision (a) shall be rebated*  
18 *to the taxpayers of California on a pro rata basis to persons,*  
19 *corporations, or other entities that paid taxes on, or measured*  
20 *by, income for taxable years beginning during the prior calendar*  
21 *year. The Franchise Tax Board and the Controller shall jointly*  
22 *undertake any and all actions that will facilitate the timely*  
23 *issuance of those rebates. This subdivision is self-executing, but*  
24 *statutes not in conflict with this subdivision may be enacted to*  
25 *facilitate its operation.*

26 *(c) All revenues received by an entity of government, other*  
27 *than the State, in a fiscal year and in the fiscal year immediately*  
28 ~~following it~~ *in excess of the amount which that may be*  
29 *appropriated by the entity in compliance with this article during*  
30 *that fiscal year and the fiscal year immediately following it shall*  
31 ~~be returned by a revision of tax rates or fee schedules within the~~  
32 ~~next two subsequent fiscal years~~ *within 30 days of the close of*  
33 *the fiscal year on an appropriate pro rata basis which shall be*  
34 *established in advance by the governing body of that entity.*

35 Third—That Section 3 of Article XIII B thereof is amended to  
36 read:

37 SEC. 3. The appropriations limit for any fiscal year pursuant  
38 to ~~See: Section 1~~ shall be adjusted as follows:

39 (a) ~~In the event that~~ *If the financial responsibility of providing*  
40 *services is transferred, in whole or in part, whether by*

1 annexation, incorporation or otherwise, from one entity of  
2 government to another, then for the year in which ~~such~~ *that*  
3 transfer becomes effective the appropriations limit of the  
4 transferee entity shall be increased by ~~such~~ *a* reasonable amount  
5 as ~~the said~~ *those* entities shall mutually agree and the  
6 appropriations limit of the transferor entity shall be decreased by  
7 the same amount.

8 (b) ~~In the event that~~ *If* the financial responsibility of providing  
9 services is transferred, in whole or in part, from an entity of  
10 government to a private entity, or the financial source for the  
11 provision of services is transferred, in whole or in part, from  
12 other revenues of an entity of government, to regulatory licenses,  
13 user charges or user fees, then for the year of ~~such~~ *the* transfer the  
14 appropriations limit of ~~such~~ *that* entity of government shall be  
15 decreased accordingly.

16 (c) (1) ~~In the event~~ *If* an emergency is declared by the  
17 legislative body of an entity of government, the appropriations  
18 limit of the affected entity of government may be exceeded  
19 provided that the appropriations limits in the following three  
20 years are reduced accordingly to prevent an aggregate increase in  
21 appropriations resulting from the emergency.

22 (2) ~~In the event~~ *If* an emergency is declared by the Governor,  
23 appropriations approved by a ~~two-thirds~~ *four-fifths* vote of the  
24 legislative body of an affected entity of government to an  
25 emergency account for expenditures relating to that emergency  
26 shall not constitute appropriations subject to limitation. As used  
27 in this paragraph, “emergency” means the existence, as declared  
28 by the Governor, of conditions of disaster or of extreme peril to  
29 the safety of persons and property within the State, or parts  
30 thereof, caused by such conditions as attack or probable or  
31 imminent attack by an enemy of the United States, fire, flood,  
32 drought, storm, civil disorder, earthquake, or volcanic eruption.

33 Fourth—That Section 6 of Article XIII B thereof is amended  
34 to read:

35 SEC. 6. (a) ~~Whenever the Legislature or any state agency~~  
36 ~~mandates a new program or higher level of service on any local~~  
37 ~~government, the State shall provide a subvention of funds to~~  
38 ~~reimburse that local government for the costs of the program or~~  
39 ~~increased level of service, except that the Legislature may, but~~  
40 ~~need not, provide a subvention of funds for the following~~

~~mandates: No local government shall be required to fulfill any mandate imposed by the State unless and until, and only to the extent that, funds are appropriated for that purpose.~~

~~(1) Legislative mandates requested by the local agency affected.~~

~~(2) Legislation defining a new crime or changing an existing definition of a crime.~~

~~(3) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.~~

~~(b) (1) Except as provided in paragraph (2), for the 2005-06 fiscal year and every subsequent fiscal year, for a mandate for which the costs of a local government claimant have been determined in a preceding fiscal year to be payable by the State pursuant to law, the Legislature shall either appropriate, in the annual Budget Act, the full payable amount that has not been previously paid, or suspend the operation of the mandate for the fiscal year for which the annual Budget Act is applicable in a manner prescribed by law.~~

~~(2) Payable claims for costs incurred prior to the 2004-05 fiscal year that have not been paid prior to the 2005-06 fiscal year may be paid over a term of years, as prescribed by law.~~

~~(3) Ad valorem property tax revenues shall not be used to reimburse a local government for the costs of a new program or higher level of service.~~

~~(4) This subdivision applies to a mandate only as it affects a city, county, city and county, or special district.~~

~~(5) This subdivision shall not apply to a requirement to provide or recognize any procedural or substantive protection, right, benefit, or employment status of any local government employee or retiree, or of any local government employee organization, that arises from, affects, or directly relates to future, current, or past local government employment and that constitutes a mandate subject to this section.~~

~~(c) A mandated new program or higher level of service includes a transfer by the Legislature from the State to cities, counties, cities and counties, or special districts of complete or partial financial responsibility for a required program for which the State previously had complete or partial financial responsibility.~~

1 Fifth—That Section 7 of Article XIII B is amended to read:

2 SEC. 7. (a) Nothing in this ~~Article~~ *article* shall be construed  
3 to impair the ability of the State or of any local government to  
4 meet its obligations with respect to existing or future bonded  
5 indebtedness.

6 (b) *Appropriations subject to limitation for all entities of*  
7 *government do not include appropriations for debt service.*

8 (c) *The State shall not incur greater general obligation bond*  
9 *debt than is outstanding, as sold or authorized, on December 31,*  
10 *2006. This limit shall be adjusted annually to reflect increases or*  
11 *decreases in the state's population growth and the cost of living.*  
12 *This limitation of bonded indebtedness shall be enforced as*  
13 *follows:*

14 (1) *On January 1 of each year the Controller shall determine*  
15 *the general obligation debt capacity that will be available, by*  
16 *subtracting all outstanding general obligation bonds and those*  
17 *bonds previously authorized for sale that have not been sold from*  
18 *the adjusted limitation of bonded indebtedness set forth above.*

19 (2) *During that calendar year, the Attorney General shall*  
20 *disqualify any bond measure submitted for a title and summary,*  
21 *if the amount of bonds authorized by that measure, considered*  
22 *individually, would exceed the general obligation debt capacity*  
23 *established by the Controller for that calendar year under this*  
24 *subdivision.*

25 (3) *During that calendar year, no bond measure that requires*  
26 *voter approval may be approved by the Legislature or the*  
27 *Governor, if the amount of bonds authorized by that measure,*  
28 *considered individually, would exceed the general obligation*  
29 *debt capacity established by the Controller for that calendar year*  
30 *under this subdivision.*

31 (4) *The Treasurer shall not, in any calendar year, sell any*  
32 *authorized bonds that would, if sold, cause the general obligation*  
33 *debt capacity established by the Controller under this*  
34 *subdivision for that calendar year to be exceeded.*

35 Sixth—That Section 8 of Article XIII B thereof is amended to  
36 read:

37 SEC. 8. As used in this article and except as otherwise  
38 expressly provided herein:

39 (a) “Appropriations subject to limitation” of the State means  
40 any authorization to expend during a fiscal year the proceeds of

1 taxes levied by or for the State, exclusive of state subventions for  
2 the use and operation of local government (other than  
3 subventions made pursuant to Section 6) and further exclusive of  
4 refunds of taxes, benefit payments from retirement,  
5 unemployment insurance, and disability insurance funds.

6 (b) “Appropriations subject to limitation” of an entity of local  
7 government means any authorization to expend during a fiscal  
8 year the proceeds of taxes levied by or for that entity and the  
9 proceeds of state subventions to that entity (other than  
10 subventions made pursuant to Section 6) exclusive of refunds of  
11 taxes.

12 (c) “Proceeds of taxes” ~~shall~~ include, but *are not* ~~be~~ restricted  
13 to, all tax revenues and the proceeds to an entity of government,  
14 from (1) regulatory licenses, user charges, and user fees to the  
15 extent that those proceeds exceed the costs reasonably borne by  
16 that entity in providing the regulation, product, or service, and (2)  
17 the investment of tax revenues. With respect to any local  
18 government, “proceeds of taxes” ~~shall~~ include subventions  
19 received from the State, other than pursuant to Section 6, and,  
20 with respect to the State, proceeds of taxes ~~shall~~ exclude ~~such~~  
21 *those* subventions.

22 (d) “Local government” means any city, county, city and  
23 county, school district, special district, authority, or other  
24 political subdivision of or within the State.

25 (e) (1) “Change in the cost of living” for the State, a school  
26 district, or a community college district means the percentage  
27 change in the ~~California per capita personal income~~ *Consumer*  
28 *Price Index* from the preceding year.

29 (2) “Change in the cost of living” for an entity of local  
30 government, other than a school district or a community college  
31 district, shall be either (A) the percentage change in *the*  
32 ~~California per capita personal income~~ *Consumer Price Index*  
33 from the preceding year, or (B) the percentage change in the  
34 local assessment roll from the preceding year for the jurisdiction  
35 due to the addition of local nonresidential new construction. Each  
36 entity of local government shall select its change in the cost of  
37 living pursuant to this paragraph annually by a recorded vote of  
38 the entity’s governing body.

39 (f) (1) “Change in population” of any entity of government,  
40 other than the State, a school district, or a community college

1 district, shall be determined by a method prescribed by the  
2 Legislature.

3 ~~“Change~~

4 (2) *“Change in population”* of a school district or a  
5 community college district shall be the percentage change in the  
6 average daily attendance of the school district or community  
7 college district from the preceding fiscal year, as determined by a  
8 method prescribed by the Legislature.

9 ~~“Change~~

10 (3) *“Change in population”* of the State shall be ~~determined by~~  
11 ~~adding (1) the percentage change in the State’s population~~  
12 ~~multiplied by the percentage of the State’s budget in the prior~~  
13 ~~fiscal year that is expended for other than educational purposes~~  
14 ~~for kindergarten and grades one to 12, inclusive, and the~~  
15 ~~community colleges, and (2) the percentage change in the total~~  
16 ~~statewide average daily attendance in kindergarten and grades~~  
17 ~~one to 12, inclusive, and the community colleges, multiplied by~~  
18 ~~the percentage of the State’s budget in the prior fiscal year that is~~  
19 ~~expended for educational purposes for kindergarten and grades~~  
20 ~~one to 12, inclusive, and the community colleges from the~~  
21 ~~preceding year.~~

22 ~~Any~~

23 (4) *Any* determination of population pursuant to this  
24 subdivision, other than that measured by average daily  
25 attendance, shall be revised, as necessary, to reflect the periodic  
26 census conducted by the United States Department of Commerce,  
27 or successor department.

28 (g) *“Debt service”* means appropriations required to pay the  
29 cost of interest and redemption charges, including the funding of  
30 any reserve or sinking fund required in connection therewith, on  
31 indebtedness existing or legally authorized as of January 1, 1979,  
32 or on bonded indebtedness thereafter approved according to law  
33 by a vote of the electors of the issuing entity voting in an election  
34 for that purpose.

35 (h) The *“appropriations limit”* of each entity of government  
36 for each fiscal year is that amount which total annual  
37 appropriations subject to limitation may not exceed under  
38 Sections 1 and 3. ~~However, the “appropriations limit” of each~~  
39 ~~entity of government for fiscal year 1978-79 is the total of the~~  
40 ~~appropriations subject to limitation of the entity for that fiscal~~



1 year. For fiscal year 1978-79, state subventions to local  
2 governments, exclusive of federal grants, are deemed to have  
3 been derived from the proceeds of state taxes.

4 (i) Except as otherwise provided in Section 5, “appropriations  
5 subject to limitation” do not include local agency loan funds or  
6 indebtedness funds, investment (or authorizations to invest)  
7 funds of the State, or of an entity of local government in accounts  
8 at banks or savings and loan associations or in liquid securities.

9 Seventh—That Section 9 of Article XIII B thereof is repealed.

10 SEC. 9. “Appropriations subject to limitation” for each entity  
11 of government do not include:

12 (a) Appropriations for debt service.

13 (b) Appropriations required to comply with mandates of the  
14 courts or the federal government which, without discretion,  
15 require an expenditure for additional services or which  
16 unavoidably make the provision of existing services more costly.

17 (c) Appropriations of any special district which existed on  
18 January 1, 1978, and which did not as of the 1977-78 fiscal year  
19 levy an ad valorem tax on property in excess of 12½ cents per  
20 \$100 of assessed value; or the appropriations of any special  
21 district then existing or thereafter created by a vote of the people,  
22 which is totally funded by other than the proceeds of taxes.

23 (d) Appropriations for all qualified capital outlay projects, as  
24 defined by the Legislature.

25 (e) Appropriations of revenue which are derived from any of  
26 the following:

27 (1) That portion of the taxes imposed on motor vehicle fuels  
28 for use in motor vehicles upon public streets and highways at a  
29 rate of more than nine cents (\$0.09) per gallon.

30 (2) Sales and use taxes collected on that increment of the tax  
31 specified in paragraph (1).

32 (3) That portion of the weight fee imposed on commercial  
33 vehicles which exceeds the weight fee imposed on those vehicles  
34 on January 1, 1990.

35 Eighth—That Section 10 of Article XIII B thereof is repealed.

36 SEC. 10. This Article shall be effective commencing with the  
37 first day of the fiscal year following its adoption.

38 Ninth—That Section 10.5 of Article XIII B thereof is repealed.

39 SEC. 10.5. For fiscal years beginning on or after July 1, 1990;  
40 the appropriations limit of each entity of government shall be the

1 ~~appropriations limit for the 1986-87 fiscal year adjusted for the~~  
2 ~~changes made from that fiscal year pursuant to this article, as~~  
3 ~~amended by the measure adding this section, adjusted for the~~  
4 ~~changes required by Section 3.~~

5 Tenth—That Section 10.5 is added to Article XIII B thereof, to  
6 read:

7 SEC. 10.5. For fiscal years beginning on or after the effective  
8 date of this section, the appropriations limit of each entity of  
9 government shall be the appropriations limit for the 2006-07  
10 fiscal year adjusted for the changes made from that fiscal year  
11 pursuant to this article, as amended by the measure adding this  
12 section, adjusted for the changes required by Section 3.

13 Eleventh—That Section 12 of Article XIII B thereof is  
14 repealed.

15 ~~SEC. 12. “Appropriations subject to limitation” of each entity~~  
16 ~~of government shall not include appropriations of revenue from~~  
17 ~~the Cigarette and Tobacco Products Surtax Fund created by the~~  
18 ~~Tobacco Tax and Health Protection Act of 1988. No adjustment~~  
19 ~~in the appropriations limit of any entity of government shall be~~  
20 ~~required pursuant to Section 3 as a result of revenue being~~  
21 ~~deposited in or appropriated from the Cigarette and Tobacco~~  
22 ~~Products Surtax Fund created by the Tobacco Tax and Health~~  
23 ~~Protection Act of 1988.~~

24 Twelfth—That Section 13 of Article XIII B thereof is  
25 repealed.

26 ~~SEC. 13. “Appropriations subject to limitation” of each entity~~  
27 ~~of government shall not include appropriations of revenue from~~  
28 ~~the California Children and Families First Trust Fund created by~~  
29 ~~the California Children and Families First Act of 1998. No~~  
30 ~~adjustment in the appropriations limit of any entity of~~  
31 ~~government shall be required pursuant to Section 3 as a result of~~  
32 ~~revenue being deposited in or appropriated from the California~~  
33 ~~Children and Families First Trust Fund. The surtax created by the~~  
34 ~~California Children and Families First Act of 1998 shall not be~~  
35 ~~considered General Fund revenues for the purposes of Section 8~~  
36 ~~of Article XVI.~~

37 Thirteenth—That Section 8 of Article XVI thereof is amended  
38 to read:

1 SEC. 8. (a) From all state revenues there shall first be set  
2 apart the moneys to be applied by the State for support of the  
3 public school system and public institutions of higher education.

4 (b) Commencing with the 1990–91 fiscal year, the moneys to  
5 be applied by the State for the support of school districts and  
6 community college districts shall be not less than the greater of  
7 the following amounts:

8 (1) The amount ~~which~~ *that*, as a percentage of General Fund  
9 revenues ~~which~~ *that* may be appropriated pursuant to Article  
10 XIII B, equals the percentage of General Fund revenues  
11 appropriated for school districts and community college districts,  
12 respectively, in fiscal year 1986–87.

13 (2) The amount required to ensure that the total allocations to  
14 school districts and community college districts from General  
15 Fund proceeds of taxes appropriated pursuant to Article XIII B  
16 and allocated local proceeds of taxes shall not be less than the  
17 total amount from these sources in the prior fiscal year, ~~excluding~~  
18 ~~any revenues allocated pursuant to subdivision (a) of Section 8.5,~~  
19 adjusted for changes in enrollment and adjusted for the change in  
20 the cost of living pursuant to paragraph (1) of subdivision (e) of  
21 Section 8 of Article XIII B. This paragraph shall be operative  
22 only in a fiscal year in which the percentage growth in *the*  
23 California ~~per capita personal income~~ *Consumer Price Index* is  
24 less than or equal to the percentage growth in ~~per capita~~ General  
25 Fund revenues plus one half of one percent.

26 (3) (A) The amount required to ensure that the total  
27 allocations to school districts and community college districts  
28 from General Fund proceeds of taxes appropriated pursuant to  
29 Article XIII B and allocated local proceeds of taxes shall equal  
30 the total amount from these sources in the prior fiscal year,  
31 ~~excluding any revenues allocated pursuant to subdivision (a) of~~  
32 ~~Section 8.5,~~ adjusted for changes in enrollment and adjusted for  
33 the *percentage* change in ~~per capita~~ General Fund revenues.

34 (B) In addition, an amount equal to one-half of one percent  
35 times the prior year total allocations to school districts and  
36 community colleges from General Fund proceeds of taxes  
37 appropriated pursuant to Article XIII B and allocated local  
38 proceeds of taxes, ~~excluding any revenues allocated pursuant to~~  
39 ~~subdivision (a) of Section 8.5,~~ adjusted for changes in  
40 enrollment.

(C) This paragraph (3) shall be operative only in a fiscal year in which the percentage growth in ~~the California-per-capita personal income~~ *Consumer Price Index* in a fiscal year is greater than the percentage growth in ~~per-capita~~ General Fund revenues plus ~~one-half~~ *one-half* of one percent.

(c) In any fiscal year, if the amount computed pursuant to paragraph (1) of subdivision (b) exceeds the amount computed pursuant to paragraph (2) of subdivision (b) by a difference that exceeds one and one-half percent of General Fund revenues, the amount in excess of one and one-half percent of General Fund revenues shall not be considered allocations to school districts and community colleges for purposes of computing the amount of state aid pursuant to paragraph (2) or ~~3~~ (3) of subdivision (b) in the subsequent fiscal year.

(d) In any fiscal year in which school districts and community college districts are allocated funding pursuant to paragraph (3) of subdivision (b) or pursuant to subdivision ~~(h)~~ (g), they shall be entitled to a maintenance factor, equal to the difference between (1) the amount of General Fund moneys ~~which~~ *that* would have been appropriated pursuant to paragraph (2) of subdivision (b) if that paragraph had been operative or the amount of General Fund moneys ~~which~~ *that* would have been appropriated pursuant to subdivision (b) had subdivision (b) not been suspended, and (2) the amount of General Fund moneys actually appropriated to school districts and community college districts in that fiscal year.

(e) The maintenance factor for school districts and community college districts determined pursuant to subdivision (d) shall be adjusted annually for changes in enrollment, and adjusted for the change in the cost of living pursuant to paragraph (1) of subdivision (e) of Section 8 of Article XIII B, until it has been allocated in full. The maintenance factor shall be allocated in a manner determined by the Legislature in each fiscal year in which the percentage growth in ~~per-capita~~ General Fund revenues exceeds the percentage growth in ~~the California-per-capita personal income~~ *Consumer Price Index*. The maintenance factor shall be reduced each year by the amount allocated by the Legislature in that fiscal year. The minimum maintenance factor amount to be allocated in a fiscal year shall be equal to the product of General Fund revenues from proceeds of taxes and

1 one-half of the difference between the percentage growth in per  
2 capita General Fund revenues from proceeds of taxes and in the  
3 California per capita personal income *Consumer Price Index*, not  
4 to exceed the total dollar amount of the maintenance factor.

5 (f) For purposes of this section, “changes in enrollment” shall  
6 be measured by the percentage change in average daily  
7 attendance. However, in any fiscal year, there shall be no  
8 adjustment for decreases in enrollment between the prior fiscal  
9 year and the current fiscal year unless there have been decreases  
10 in enrollment between the second prior fiscal year and the prior  
11 fiscal year and between the third prior fiscal year and the second  
12 prior fiscal year.

13 ~~(h)~~

14 (g) Subparagraph (B) of paragraph (3) of subdivision (b) may  
15 be suspended for one year only when made part of or included  
16 within any bill enacted pursuant to Section 12 of Article IV. All  
17 other provisions of subdivision (b) may be suspended for one  
18 year by the enactment of an urgency statute pursuant to Section 8  
19 of Article IV, provided that the urgency statute may not be made  
20 part of or included within any bill enacted pursuant to Section 12  
21 of Article IV.

22 Fourteenth—That Section 8.5 of Article XVI thereof is  
23 repealed.

24 ~~SEC. 8.5. (a) In addition to the amount required to be applied~~  
25 ~~for the support of school districts and community college districts~~  
26 ~~pursuant to Section 8, the Controller shall during each fiscal year~~  
27 ~~transfer and allocate all revenues available pursuant to paragraph~~  
28 ~~1 of subdivision (a) of Section 2 of Article XIII B to that portion~~  
29 ~~of the State School Fund restricted for elementary and high~~  
30 ~~school purposes, and to that portion of the State School Fund~~  
31 ~~restricted for community college purposes, respectively, in~~  
32 ~~proportion to the enrollment in school districts and community~~  
33 ~~college districts respectively.~~

34 ~~(1) With respect to funds allocated to that portion of the State~~  
35 ~~School Fund restricted for elementary and high school purposes,~~  
36 ~~no transfer or allocation of funds pursuant to this section shall be~~  
37 ~~required at any time that the Director of Finance and the~~  
38 ~~Superintendent of Public Instruction mutually determine that~~  
39 ~~current annual expenditures per student equal or exceed the~~  
40 ~~average annual expenditure per student of the 10 states with the~~

1 highest annual expenditures per student for elementary and high  
2 schools, and that average class size equals or is less than the  
3 average class size of the 10 states with the lowest class size for  
4 elementary and high schools.

5 (2) ~~With respect to funds allocated to that portion of the State~~  
6 ~~School Fund restricted for community college purposes, no~~  
7 ~~transfer or allocation of funds pursuant to this section shall be~~  
8 ~~required at any time that the Director of Finance and the~~  
9 ~~Chancellor of the California Community Colleges mutually~~  
10 ~~determine that current annual expenditures per student for~~  
11 ~~community colleges in this State equal or exceed the average~~  
12 ~~annual expenditure per student of the 10 states with the highest~~  
13 ~~annual expenditures per student for community colleges.~~

14 (b) ~~Notwithstanding the provisions of Article XIII B, funds~~  
15 ~~allocated pursuant to this section shall not constitute~~  
16 ~~appropriations subject to limitation.~~

17 (c) ~~From any funds transferred to the State School Fund~~  
18 ~~pursuant to subdivision (a), the Controller shall each year~~  
19 ~~allocate to each school district and community college district an~~  
20 ~~equal amount per enrollment in school districts from the amount~~  
21 ~~in that portion of the State School Fund restricted for elementary~~  
22 ~~and high school purposes and an equal amount per enrollment in~~  
23 ~~community college districts from that portion of the State School~~  
24 ~~Fund restricted for community college purposes.~~

25 (d) ~~All revenues allocated pursuant to subdivision (a) shall be~~  
26 ~~expended solely for the purposes of instructional improvement~~  
27 ~~and accountability as required by law.~~

28 (e) ~~Any school district maintaining an elementary or~~  
29 ~~secondary school shall develop and cause to be prepared an~~  
30 ~~annual audit accounting for such funds and shall adopt a School~~  
31 ~~Accountability Report Card for each school.~~